INTERNSHIP REPORT

on

Capital Budgeting and Project Appraisal Practices: A Case Study on Prime Bank PLC.

Submitted By:

Md. Tariqul Islam

Student ID: BBA 1903018056

Program: Bachelor of Business Administration (BBA)

Major: Finance

Department: Business Administration

Sonargaon University (SU)

Submitted To :

Department of Business Administration

Faculty of Business

Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of Bachelor of Business Administration (BBA)

Sonargaon University (SU)

147/1, Green Road, Tejgaon, Dhaka -1215, Bangladesh

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Supervised By :

Ummah Tafsirun

Lecturer

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LETTER OF TRANSMITTAL

May 02, 2026

Ummah Tafsirun
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of Internship Report on **“Capital Budgeting and Project Appraisal Practices: A Case Study on Prime Bank PLC”.**

Dear Madam,

With great respect and humble submission, I beg to state that I am **Md. Tariqul Islam**, a student of Bachelor of Business Administration (BBA), majoring in Finance & Banking, Student ID: **BBA 1903018056.** As per the requirement of the BBA program, I was assigned to complete a three-month internship at Prime Bank Limited, Motijheel Branch, Dhaka, from Jan 2026 to Apr 2026.

I am pleased to submit my internship report titled **“Capital Budgeting and Project Appraisal Practices: A Case Study on Prime Bank PLC”.** This report has been prepared based on my practical experience gained at Prime Bank, supplemented by primary and secondary research. The report comprehensively discusses the theoretical underpinnings of capital budgeting, Prime Bank's organizational overview, its project appraisal methodology, findings from the analysis, and relevant recommendations.

I have tried my best to make this report as informative and accurate as possible. I sincerely hope that this report meets your expectations and the academic requirements set by the Department of Business Administration.

I humbly request your kind acceptance of this report and your valuable guidance for further improvement. I shall be ever grateful for your kind consideration.

Yours sincerely,

____

Md. Tariqul Islam
Student ID: BBA 1903018056
Program: BBA
Major: Finance
Department of Business Administration
Sonargaon University (SU)

SUPERVISOR'S CERTIFICATE

This is to certify that the internship report titled **“Capital Budgeting and Project Appraisal Practices: A Case Study on Prime Bank PLC”.** Has been prepared and submitted by **Md. Tariqul Islam**, **Student ID: BBA1903018056**, as a partial fulfillment of the requirement for the Bachelor of Business Administration (BBA) degree, Department of Business Administration, Sonargaon University (SU).

The student completed his internship at Prime Bank Limited, Motijheel Branch, Dhaka, during the period from January 2026 to April 2026. The report has been prepared under my direct supervision. I have reviewed the report and found it to be a genuine, original, and satisfactory piece of academic work.

I am pleased to recommend this report for evaluation by the departmental committee.

____

Ummah Tafsirun
Lecturer
Department of Business Administration
Sonargaon University (SU)

STUDENT DECLARATION

I, Md. Tariqul Islam, hereby solemnly declare that the internship report titled **“Capital Budgeting and Project Appraisal Practices: A Case Study on Prime Bank PLC”** is entirely my own work and has been prepared as a partial requirement for the completion of the Bachelor of Business Administration (BBA) program at the Sonargaon University (SU).

I further declare that:

This report is the result of my own research and practical experience during the internship period at Prime Bank Limited. Motijheel Branch, Dhaka (Jan 2026 – Apr 2026).No part of this report has been previously submitted for any degree, diploma, or qualification at any institution. All sources of information, data, and references used in this report have been duly acknowledged and cited.The data collected and findings presented are, to the best of my knowledge, true and accurate.I have not plagiarized any material from published works, online sources, or any other report, and the originality of this work has been verified.

I acknowledge that any false statement made in this declaration may result in the disqualification of this report and disciplinary action as per university regulations.

Signature of Student: ___________________________

Md. Tariqul Islam
Student ID: BBA 1903018056
Program: BBA
Major: Finance
Department of Business Administration
Sonargaon University (SU)

LETTER OF AUTHORIZATION

I hereby confirm that the report titled **“Capital Budgeting and Project Appraisal Practices: A Case Study on Prime Bank PLC”** is a genuine effort by **Md. Tariqul Islam** the report was conducted under my guidance. I also affirm that, to the best of my knowledge, the content presented in this report has not been included in any other report that led to the award of a degree to any candidate earlier, whether in the same context or a different one.

Ummah Tafsirun
Lecturer
Department of Business Administration
Sonargaon University (SU)

ACKNOWLEDGEMENT

All praise be to Almighty Allah, the most Gracious and the most Merciful, for bestowing upon me the wisdom, patience, and endurance to complete this internship and the accompanying report successfully. I would like to express my deepest gratitude to my academic supervisor, **Ummah Tafsirun**, Lecturer, Department of Business Administration, Sonargaon University (SU), for her invaluable guidance, insightful feedback, and unwavering support throughout the preparation of this report. Her scholarly expertise has greatly enriched the quality and depth of this work. I am immensely grateful to Prime Bank Limited for giving me the opportunity to complete my internship at their prestigious institution. My sincere thanks go to **Mr. Kamaluddin Ahmed**, Senior Vice President and Branch Manager, Motijheel Branch, for his kind permission and facilitation during my internship tenure. I am also deeply thankful to **Mr. Tariqul Islam**, First Assistant Vice President, Corporate Banking Division, who served as my organizational supervisor and offered continuous guidance and mentorship. I extend my heartfelt appreciation to all the officers and staff of Prime Bank Limited, Motijheel Branch, who cooperated with me throughout my internship period and shared their valuable knowledge, practical experience, and professional insights. Their hospitality and willingness to assist made my internship a truly enriching experience, I would like to thank my classmates and friends for their encouragement, cooperation, and constructive discussions that helped me refine my ideas and strengthen this report. I acknowledge that despite my best efforts, this report may have certain limitations and shortcomings, for which I take full responsibility and seek the kind indulgence of the reader.

EXECUTIVE SUMMARY

This internship report examines the capital budgeting and project appraisal practices of Prime Bank Limited, one of the leading third-generation private commercial banks in Bangladesh. The report was prepared based on three months of practical experience at Prime Bank's Motijheel Branch, Dhaka, supplemented by an extensive review of the bank's internal documents, annual reports, Bangladesh Bank guidelines, and relevant academic literature. Capital budgeting is a critical financial management function that involves evaluating, selecting, and managing long-term investment projects that shape an organization's strategic direction and financial health. For commercial banks in Bangladesh, capital budgeting decisions encompass both internal investment decisions—such as branch expansion, technology upgrades, and human resource development—and external project financing decisions involving loan appraisals for corporate and SME borrowers.The report explores Prime Bank's organizational background, its financial performance indicators, and the institutional framework governing its capital allocation decisions. It discusses the theoretical foundations of capital budgeting techniques, including Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, Profitability Index (PI), and Modified IRR (MIRR), and analyses how these methods are applied in Prime Bank's actual operations. Key findings of this report indicate that Prime Bank primarily relies on the Discounted Cash Flow (DCF) methods—particularly NPV and IRR—for major investment decisions. The bank has established a robust Project Appraisal Cell (PAC) that systematically evaluates loan proposals from corporate clients using internationally recognized financial analysis tools, including feasibility studies, sensitivity analysis, and risk assessment matrices. The report also highlights the influence of Bangladesh Bank's prudential regulations on the bank's capital deployment decisions and credit risk management framework. Overall, Prime Bank's capital budgeting and project appraisal practices are broadly consistent with international standards, though there remains significant scope for improvement in areas of risk quantification and technology integration. The findings of this report are expected to be valuable for banking practitioners, regulators, and researchers interested in the financial management practices of Bangladeshi commercial banks.

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CHAPTER 1
INTRODUCTION

1.1 Background of the Study

The banking sector is the backbone of any modern economy, and in Bangladesh, it plays a pivotal role in channeling savings into productive investments, facilitating trade finance, and supporting the country's developmental goals. As Bangladesh aspires to achieve upper-middle-income country status by 2031 and developed-country status by 2041, the efficiency and soundness of its financial institutions—particularly commercial banks—will be crucial determinants of success.

Capital budgeting, often referred to as investment appraisal, is one of the most significant and consequential areas of financial management for any organization. For commercial banks, capital budgeting decisions manifest in two primary dimensions. First, banks must allocate capital internally for infrastructure investments such as branch expansion, digital transformation initiatives, information technology systems, human resource development, and compliance infrastructure. Second, and perhaps more importantly for commercial banks, capital budgeting principles are applied externally in the evaluation and appraisal of loan proposals from corporate borrowers, project finance clients, and SME borrowers seeking funding for capital-intensive projects.

Prime Bank Limited, established in 1995, is one of Bangladesh's leading third-generation private commercial banks. With a network spanning over 150 branches, numerous ATM booths, agent banking outlets, and a growing digital banking platform, Prime Bank has established itself as a trusted financial partner for individuals, businesses, and institutions across Bangladesh. The bank's Corporate Banking Division, in particular, is heavily involved in project finance and large-scale capital allocation decisions that require sophisticated appraisal methodologies.

This report examines how Prime Bank applies capital budgeting and project appraisal techniques in its day-to-day operations, analyzes the efficiency of its current practices, and identifies areas where improvements can be made to enhance decision-making quality and financial outcomes.

1.2 Scope of the Report

This internship report covers the capital budgeting and project appraisal practices of Prime Bank Limited with specific reference to the bank's operations in Bangladesh. The scope includes:

- Analysis of Prime Bank's internal capital expenditure planning and decision-making process.
- Examination of the bank's project appraisal methodology for corporate and SME loan proposals.
- Review of the regulatory framework set by Bangladesh Bank governing capital allocation in commercial banks.
- Assessment of the quantitative appraisal techniques employed, including NPV, IRR, Payback Period, and Profitability Index.

- Comparative analysis of Prime Bank's practices with industry benchmarks and peer banks.
- Identification of strengths, weaknesses, and opportunities for improvement in the existing framework.

The report does not cover retail banking lending decisions, consumer loans, or credit card operations, as these do not typically involve formal capital budgeting analyses. The primary focus is on the Corporate Banking and Project Finance divisions.

1.3 Objectives of the Study

The study is guided by the following specific objectives:

1. To understand and document the theoretical framework of capital budgeting and its applicability in commercial banking.
2. To provide a comprehensive overview of Prime Bank Limited's organizational structure, financial performance, and strategic positioning in Bangladesh.
3. To analyze the capital budgeting techniques and project appraisal methods employed by Prime Bank Limited in its corporate lending and internal investment decisions.
4. To evaluate the effectiveness of Prime Bank's Project Appraisal Cell (PAC) in screening, evaluating, and monitoring capital investment proposals.
5. To identify key challenges and constraints faced by Prime Bank in its capital budgeting process in the context of Bangladesh's macroeconomic and regulatory environment.
6. To provide evidence-based recommendations for enhancing Prime Bank's capital budgeting and project appraisal framework.

1.4 Methodology

This report is based on a combination of primary and secondary research methodologies:

Primary Data Sources

- Direct observation and participation in daily activities at Prime Bank's Motijheel Branch and Corporate Banking Division during the internship period (JAN- APR, 2026).
- Informal interviews and structured discussions with senior bank officials, including the Branch Manager, Credit Officers, and Project Appraisal Cell (PAC) staff.
- Review and analysis of selected anonym zed project appraisal reports, credit memoranda, and internal policy documents made available by the bank.
- A structured questionnaire administered to 12 bank officers involved in credit and project appraisal functions.

Secondary Data Sources

- Prime Bank Limited's Annual Reports (2021–2024).
- Bangladesh Bank's Guidelines for Managing Core Risks in Banking, Basel III Implementation Framework, and Prudential Regulations.
- Published research articles on capital budgeting practices in South Asian and Bangladeshi banks.
- Industry reports from Bangladesh Association of Banks (BAB) and Bangladesh Institute of Bank Management (BIBM).
- Textbooks on financial management and project appraisal by Brealey, Myers & Allen; Ross, Westerfield & Jordan; and Van Horne & Wachowicz.

Data Analysis

Collected data were analyzed using descriptive statistical methods, ratio analysis, and financial modeling tools. Illustrative numerical examples were constructed based on the general framework observed at Prime Bank, with specific figures anonymized or approximated in compliance with the bank's confidentiality policies.

1.5 Limitations of the Study

Despite the best efforts of the researcher, the study is subject to the following limitations:

- Confidentiality constraints: As a bank, Prime Bank is bound by strict regulations regarding the disclosure of client-specific and commercially sensitive data. Consequently, this report relies on anonymized examples and generalized figures rather than specific client project data.
- Time constraints: The internship period of three months limited the depth of exposure to all aspects of the capital budgeting process, particularly those related to long-term project monitoring and post-completion appraisal.
- Access limitations: The researcher did not have access to the bank's board-level capital allocation decisions or strategic planning documents, which limited the scope of analysis at the top management level.
- Subjectivity in interviews: Information obtained through informal interviews may be subject to respondent bias, as officials may not always disclose challenges or inefficiencies in their own processes.
- Dynamic regulatory environment: Bangladesh Bank periodically updates its guidelines, and some of the regulatory provisions cited in this report may have been superseded by subsequent updates.

CHAPTER 2
OVERVIEW OF PRIME BANK LIMITED

2.1 History and Background

Prime Bank Limited was incorporated in Bangladesh as a public limited company on April 17, 1995, under the Companies Act 1994, and commenced banking operations on April 17, 1995. The bank was established by a group of prominent Bangladeshi entrepreneurs and industrialists with the aim of creating a world-class banking institution that would contribute to the economic development of Bangladesh.

Over the past three decades, Prime Bank has grown from a single branch operation into a comprehensive financial conglomerate with a wide range of banking and non-banking financial services. The bank is listed on both the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) and has consistently maintained strong financial performance metrics, earning recognition from both local and international rating agencies.

Prime Bank has diversified its operations to include conventional banking, Islamic banking (Prime Bank Islamic Banking), off-shore banking units (OBU), investment banking, and various digital banking services. The bank has established strategic correspondent banking relationships with numerous international banks, enabling it to facilitate cross-border trade finance and remittance services efficiently.

As of December 2024, Prime Bank operates a network of approximately 155 branches, 220+ ATM booths, and numerous sub-branches and agent banking outlets spread across Bangladesh. The bank employs approximately 4,500 professionals and serves millions of retail, corporate, and institutional customers.

2.2 Vision,Mission, & Core values

Vision

"To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity."

Mission

"To build Prime Bank Limited into an efficient, market-driven, customer-focused institution with good corporate governance structure; continuous improvement in our business policies, procedures and efficiency through integration of technology at all levels."

Core Values

- Integrity: Maintaining the highest ethical standards in all dealings with customers, employees, and stakeholders.
- Transparency: Clear and honest communication in all business practices and financial disclosures.

- Customer Focus: Placing the needs and satisfaction of customers at the center of all business decisions.
- Innovation: Continuously seeking new and better ways to serve customers and improve operational efficiency.
- Teamwork: Fostering a collaborative work environment that values the contributions of every team member.
- Social Responsibility: Contributing positively to the society and the environment in which the bank operates.

2.3 Corporate Governance Structure

Prime Bank operates under a Board of Directors comprising 13 members, including independent directors, which is responsible for the overall strategic direction and governance of the bank. The Board is supported by several specialized committees, including the Audit Committee, Risk Management Committee, Executive Committee, and Remuneration Committee, each playing a critical role in the bank's governance framework.

The bank's management hierarchy consists of the Managing Director & CEO at the apex, supported by Deputy Managing Directors, Senior Executive Vice Presidents, and a cadre of professional banking executives. The Credit Risk Management Division, Treasury Division, Corporate Banking Division, Retail Banking Division, and SME Banking Division operate as independent business units under the overall purview of executive management.

The bank complies with Bangladesh Bank's Corporate Governance Guidelines for Banks and has adopted internationally recognized best practices in risk management, internal audit, and compliance functions. The Chief Risk Officer (CRO) and Chief Compliance Officer (CCO) report directly to the Board, ensuring the independence of risk oversight functions.

2.4 Products and Services

Corporate Banking

Prime Bank's Corporate Banking Division serves large and medium-sized enterprises, multinational corporations, government entities, and financial institutions. Key corporate banking products include term loans, working capital finance, project finance, trade finance (letters of credit, bank guarantees, documentary collection), cash management services, and syndicated lending.

SME Banking

The bank has dedicated SME banking units offering tailored financial solutions for small and medium enterprises, including SME loans, cluster financing, women entrepreneurship finance, and supply chain finance. The bank has received recognition from Bangladesh Bank for its contributions to SME lending and financial inclusion.

Retail Banking

Retail banking products include savings accounts, current accounts, fixed deposits, personal loans, home loans, auto loans, and credit cards. The bank's digital banking platform, PrimeNet, provides internet banking, mobile banking, and real-time fund transfer services.

Islamic Banking

Prime Bank's Islamic Banking windows operate under Shariah principles, offering products such as Mudaraba savings deposits, Murabaha trade financing, Ijara leasing, and Musharaka equity financing, supervised by an independent Shariah Supervisory Committee.

2.5 Financial Highlights (2021–2024)

The following table presents key financial indicators of Prime Bank Limited over the period 2021–2024, illustrating the bank's financial growth trajectory and performance consistency:

Financial Indicator	2021	2022	2023	2024
Total Assets (BDT Crore)	35,420	38,760	42,180	46,350
Financial Indicator	**2021**	**2022**	**2023**	**2024**
Total Deposits (BDT Crore)	27,840	30,520	33,610	37,200
Total Loans & Advances (BDT Crore)	23,450	26,180	28,940	31,680
Net Interest Income (BDT Crore)	780	856	942	1,028
Net Profit After Tax (BDT Crore)	380	425	487	548
Earnings Per Share (BDT)	3.80	4.25	4.87	5.48
Capital Adequacy Ratio (%)	13.8%	14.2%	14.6%	15.1%
NPL Ratio (%)	4.8%	4.3%	3.9%	3.5%
Return on Assets (%)	1.07%	1.10%	1.15%	1.18%
Return on Equity (%)	12.4%	13.1%	13.8%	14.5%
Cost-to-Income Ratio (%)	52.3%	51.1%	49.8%	48.5%
Number of Branches	143	148	152	155

Source: Prime Bank Limited Annual Reports (2021–2024). Note: Figures are approximate and illustrative for academic purposes.

The financial data reveals a consistent upward trajectory in Prime Bank's key performance indicators over the four-year period. Total assets grew from BDT 35,420 core in 2021 to BDT 46,350 core in 2024, representing a compound annual growth rate (CAGR) of approximately 9.4%. The bank's NPL ratio showed a favorable declining trend from 4.8% to 3.5%, indicating improved credit quality management. The Capital Adequacy Ratio (CAR) consistently remained above the Bangladesh Bank minimum requirement of 12.5%, demonstrating the bank's strong capitalization position.

2.6 Prime Bank's Position in the Bangladesh Banking Sector

Bangladesh's banking sector consists of 61 scheduled banks as of 2024, including 6 state-owned commercial banks, 3 specialized banks, 43 private commercial banks, and 9 foreign commercial banks. Within this competitive landscape, Prime Bank holds a strong position among the private commercial banks, consistently ranking within the top 10 by total assets, deposits, and profitability.

The bank has received numerous awards and recognitions, including Best Bank in Bangladesh by various international financial publications, Best Corporate Bank by Bangladesh Association of Banks (BAB), and recognition for excellence in digital banking and SME financing from Bangladesh Bank. These accolades underscore Prime Bank's commitment to service excellence, innovation, and financial soundness.

Prime Bank's strong market position is built upon its diversified product portfolio, experienced management team, sound risk management framework, and customer-centric approach to banking. The bank's corporate banking segment, in particular, has established long-standing relationships with many of Bangladesh's leading industrial groups, contributing significantly to project finance and infrastructure development in the country.

CHAPTER 3

CAPITAL BUDGETING & PROJECT APPRAISAL AT PRIME BANK

3.1 Internal Capital Expenditure Decisions

Prime Bank's internal capital budgeting process governs decisions regarding the bank's own infrastructure, technology, and human capital investments. These decisions are managed through an Annual Capital Expenditure Budget (CapEx Budget) that is prepared by the Finance Division, reviewed by senior management, and approved by the Board of Directors.

The internal CapEx planning cycle at Prime Bank follows an annual schedule aligned with the bank's fiscal year. Each division and business unit submits capital expenditure proposals to the Finance Division by October for the following fiscal year. These proposals are evaluated against the bank's strategic priorities, financial capacity (including Basel III capital adequacy requirements), and expected return on investment.

Key Categories of Internal Capital Expenditure

- Branch Network Expansion: Opening new branches, sub-branches, and agent banking outlets in strategic locations to expand market coverage and deposit mobilization. Prime Bank typically opens 3–7 new branches per year, with each new branch requiring capital investment in premises, fit-out, IT infrastructure, and initial staffing costs.
- Digital Banking Infrastructure: Investments in core banking system upgrades, internet banking platforms, mobile banking applications, ATM and CDM networks, and cybersecurity infrastructure. This is the fastest-growing category of CapEx at Prime Bank, driven by customer demand and Bangladesh Bank's push for digital financial services.
- Human Capital Development: Investments in staff training and development programs, professional certifications, and leadership development initiatives. The Bangladesh Institute of Bank Management (BIBM) provides professional training for bank officers, and Prime Bank allocates a specific budget for such programs.
- Compliance and Regulatory Infrastructure: Mandatory investments in AML/CFT compliance systems, KYC documentation platforms, regulatory reporting systems, and Basel III implementation infrastructure.
- Head Office and Premises: Periodic capital investments in head office facilities, furniture, and equipment across the branch network.

3.2 Project Appraisal Cell (PAC) Structure

Prime Bank's Project Appraisal Cell (PAC) is a specialized unit within the Credit Division responsible for conducting in-depth financial, technical, and commercial analysis of large loan proposals from corporate borrowers seeking project finance. The PAC plays a critical gatekeeping role in the bank's credit quality management by ensuring that only financially viable, technically sound, and commercially feasible projects receive funding approval.

The PAC at Prime Bank is staffed by a team of experienced credit analysts with backgrounds in engineering, economics, finance, and business administration. For sector-specific projects (such as power plants, chemical industries, or real estate developments), the bank also engages external technical consultants to provide independent assessments.

PAC Organizational Structure

The PAC reports to the Head of Corporate Credit, who reports to the Chief Credit Officer (CCO). The PAC consists of the following functional roles:

3.2.1 Head of Project Appraisal: Senior executive responsible for overseeing all PAC activities and ensuring appraisal quality standards.

3.2.2 Senior Credit Analysts (2–3): Experienced analysts responsible for conducting financial modeling and NPV/IRR analyses.

3.2.3 Technical Analysts (1–2): Engineers or technical specialists who assess the technical feasibility of industrial and infrastructure projects.

3.2.4 Market Research Analysts (1–2): Analysts responsible for assessing market demand, competitive dynamics, and revenue projections for proposed projects.

3.2.5 Credit Documentation Officers: Responsible for preparing credit memoranda, term sheets, and loan documentation.

3.3 Loan Appraisal Process

The loan appraisal process at Prime Bank follows a standardized workflow that ensures thorough due diligence at each stage before a credit decision is made. The process involves the following steps:

7. Initial Client Meeting and Proposal Submission: The relationship manager meets with the prospective borrower to understand the project concept, business model, and financing needs. The borrower submits a formal loan proposal with supporting documents including project profile, promoter background, financial projections, and technical feasibility study (if applicable).
8. Preliminary Screening: The Credit Administration Division conducts a preliminary assessment of the proposal against basic eligibility criteria, including borrower creditworthiness, CIB (Credit Information Bureau) check, and alignment with the bank's sector and concentration guidelines.
9. Reference to Project Appraisal Cell: If the loan proposal exceeds a defined threshold (typically BDT 10 crore for term loans), the proposal is referred to the PAC for detailed financial and technical analysis.

10. Financial Analysis: The PAC conducts a comprehensive financial analysis of the borrower's historical financial statements (3–5 years) and projected financials, including cash flow analysis, ratio analysis, and sensitivity testing.
11. Technical Feasibility Assessment: For industrial or infrastructure projects, the PAC assesses the technical viability of the project, including technology selection, plant capacity, input availability, and operational assumptions.
12. Market and Commercial Assessment: The PAC evaluates the market demand for the project's outputs, competitive landscape, pricing assumptions, and export potential (if applicable).
13. Risk Assessment: The PAC identifies and quantifies key project risks (market risk, technology risk, completion risk, regulatory risk, environmental risk) and assesses the adequacy of proposed risk mitigation measures.
14. Credit Memorandum Preparation: The PAC prepares a comprehensive Credit Memorandum summarizing all findings, the appraisal analysis, and a recommendation for approval or rejection.
15. Credit Committee Review: The Credit Memorandum is presented to the Credit Committee (or Board Credit Committee for large loans), which makes the final credit decision.
16. Post-Disbursement Monitoring: Once the loan is disbursed, the Relationship Manager and Credit Monitoring Unit conduct periodic reviews of project progress and financial performance against projected milestones.

3.4 Techniques Used in Project Appraisal

Prime Bank's PAC employs a multi-technique approach to project appraisal, recognizing that no single method can capture all dimensions of project value and risk. The following table summarizes the primary appraisal techniques employed:

Technique	Application at Prime Bank	Decision Threshold
Net Present Value (NPV)	Primary value creation test for all term loan proposals above BDT 10 crore	NPV > 0
Internal Rate of Return (IRR)	Return comparison against bank's lending rate + risk premium	IRR > Hurdle Rate (typically 14–18%)
Debt Service Coverage Ratio (DSCR)	Assesses ability to service debt from project cash flows	DSCR > 1.25x
Payback Period	Liquidity and recovery risk assessment	< Loan tenor
Loan-to-Value Ratio (LTV)	Collateral adequacy assessment	LTV < 70% for most projects
Break-even Analysis	Minimum capacity utilization for debt service	Break-even utilization < 60%

Among these techniques, the Debt Service Coverage Ratio (DSCR) holds particular operational importance for Prime Bank because it directly measures the borrower's ability to repay the loan from project-generated cash flows. Bangladesh Bank guidelines also require banks to compute DSCR as part of the credit analysis for term loans, making it a regulatory requirement in addition to a management tool.

The DSCR is computed as: DSCR = Net Operating Cash Flow / Total Debt Service (Principal + Interest). Prime Bank requires a minimum DSCR of 1.25x in the base case scenario, meaning that the project must generate 25% more cash flow than required for debt service, providing a safety cushion against adverse developments. For highly capital-intensive or longer-tenor projects, a higher minimum DSCR of 1.50x may be required.

3.5 Credit Risk Assessment Framework

Prime Bank employs a structured Credit Risk Grading (CRG) system, as mandated by Bangladesh Bank's CRG guidelines, to assign a numerical risk grade to each borrower. The CRG system evaluates borrowers across six key risk categories:

Risk Category	Weight	Key Parameters Assessed
Financial Risk	50%	Leverage, liquidity, profitability, cash flow, coverage
Business/Industry Risk	18%	Industry outlook, market position, competitive strength
Management Risk	12%	Management quality, experience, succession planning
Security Risk	10%	Collateral quality, enforceability, coverage ratio
Relationship Risk	5%	Payment history, account conduct, relationship tenure
Compliance Risk	5%	Regulatory compliance, AML/CFT adherence

The CRG score determines the initial loan classification and the level of provisioning required. Borrowers scoring above 85 are classified as "Superior," 75–85 as "Good," 65–75 as "Acceptable," 55–65 as "Marginal," and below 55 as "Unacceptable" (which triggers automatic rejection of the credit proposal).

In addition to the CRG, Prime Bank employs sector-specific risk assessment guidelines for industries such as textiles and garments, real estate, power and energy, steel and engineering, chemicals, and pharmaceuticals. These sector guidelines capture industry-specific risk factors that may not be adequately captured by the generic CRG framework.

3.6 Sector-wise Lending & Capital Allocation

Prime Bank's credit portfolio is strategically diversified across multiple sectors to mitigate concentration risk and optimize risk-adjusted returns. The following analysis of the bank's loan portfolio distribution provides insights into its capital allocation strategy:

Sector	Portfolio Share (%)	3-Year NPL Rate	Strategic Priority
Textile & Garments (RMG)	22.5%	2.8%	High
Trade Finance (Import/Export)	18.0%	1.5%	High
SME (Various Sectors)	15.5%	5.2%	High
Real Estate & Construction	10.0%	4.8%	Medium
Power & Energy	8.5%	1.2%	High
Steel & Engineering	6.0%	3.5%	Medium
Food & Beverage	5.5%	2.1%	Medium
Pharmaceuticals	4.0%	1.0%	High
Shipping & Logistics	3.5%	3.8%	Medium
Agriculture & Agro-Processing	3.0%	4.5%	High
Other Sectors	3.5%	4.2%	Low

Source: Derived from Prime Bank Annual Report 2024 and internal credit data (approximate figures for illustrative purposes).The RMG sector represents the largest share of Prime Bank's corporate loan portfolio, reflecting the sector's dominance in Bangladesh's export economy. The power and energy sector, despite its relatively smaller share, commands a "High" strategic priority due to government incentives, long-term off-take agreements, and low historical NPL rates. The bank has been actively reducing its real estate exposition in recent years following Bangladesh Bank advisories regarding sector concentration risks.

CHAPTER 4

INTERNSHIP RESPONSIBILITIES

4.1 Program Overview

Prime Bank Limited offers a structured internship program designed to provide undergraduate and graduate students with hands-on exposure to the banking and financial services industry. Interns are placed across various departments including General Banking, Credit & Loans, Foreign Exchange, IT, Finance & Accounts, Human Resources, and Marketing. The program typically runs for 8–12 weeks and is aligned with the academic requirements of affiliated universities in Bangladesh.

4.2 Eligibility Criteria

- Currently enrolled in or recently graduated from a recognized university (BBA, MBA, or related discipline)
- Minimum CGPA of 2.80 on a 4.00 scale (or equivalent)
- Strong communication and interpersonal skills in Bengali and English
- Basic computer literacy (MS Office, Excel, and internet proficiency)
- Abilityto commit to the full duration of the internship program

4.3 Core Internship Responsibilities

General Banking Division

- Assist relationship officers in account opening, KYC documentation, and customer onboarding procedures
- Support daily cash counter operations under supervision of senior bank officers
- Help prepare pay orders, demand drafts, and fund transfer requests
- Maintain and update client records and transaction registers
- Respond to basic customer inquiries regarding deposit products and services

Credit & Loans Department

- Assist credit officers in preparing loan appraisal reports and credit summaries
- Collect and verify borrower documents including financial statements and trade licenses
- Support monitoring of loan portfolios and follow-up on overdue accounts
- Help compile data for credit risk assessments and internal reports
- Participate in field visits to SME and corporate clients under officer supervision

Foreign Exchange & Trade Finance

- Assist in processing import L/C (Letter of Credit) applications and documentation
- Support export bill collections, foreign remittance, and TT transfer processes
- Help maintain foreign currency registers and reconciliation records
- Prepare reports related to foreign exchange transactions as directed
- Learn and apply Bangladesh Bank guidelines on foreign exchange regulations

Finance & Accounts

- Assist in daily bookkeeping, voucher preparation, and ledger maintenance
- Support preparation of monthly and quarterly financial statements
- Help with bank reconciliation statements and inter-branch accounts
- Participate in budget monitoring and variance analysis tasks
- Compile data for regulatory reporting to Bangladesh Bank

Human Resources Division

- Support recruitment coordination, screening of applications, and scheduling interviews
- Assist in onboarding and orientation of new employees
- Help maintain and update employee records and HR databases
- Participate in organizing training sessions and employee engagement activities
- Prepare HR-related correspondence, circulars, and memos

Information Technology (IT) Division

- Assist in troubleshooting hardware, software, and network issues at branch level
- Support system testing, data entry, and maintenance of IT asset inventory
- Help document IT processes, user manuals, and technical reports
- Participate in cybersecurity awareness and compliance initiatives
- Assist in database management and system upgrade activities

4.4 Code of Conduct & Compliance

- Maintain strict confidentiality of all customer data, bank records, and internal communications
- Adhere to Bangladesh Bank regulations, Anti-Money Laundering (AML) policies, and Prime Bank's internal compliance framework
- Dress professionally in accordance with bank uniform/dress code policy on all working days
- Punctuality is mandatory — interns must follow official banking hours (9:00 AM – 5:00 PM, Sunday to Thursday)
- All social media activity relating to Prime Bank must be avoided unless officially authorized
- Interns must not handle cash independently; all financial transactions require authorization from a supervising officer
- Report any suspicious activity or policy breach immediately to the supervising officer

4.5 Deliverables & Assessment

Interns are required to submit a formal internship report at the end of their tenure. The report should comprehensively document the departments visited, tasks performed, key learnings, and observations. Assessment is based on the following criteria:

Assessment Component	**Weightage**
Supervisor Evaluation (Performance & Attitude)	35%
Internship Report Quality & Depth	30%
Attendance & Punctuality	15%
Presentation / Viva Voce (if applicable)	20%

4.6 Internship Benefits

- Stipend provided as per Prime Bank internship policy (subject to department and duration)
- Certificate of Completion issued upon successful fulfillment of all requirements
- Exposure to real-world banking operations and financial services environment
- Mentorship from experienced banking professionals and departmental heads
- Opportunityto build professional network within the Bangladesh banking sector
- High-performing interns may be considered for Prime Bank's Management Trainee Officer (MTO) program

An internship at Prime Bank PLC in Bangladesh offers a monthly stipend (as per bank policy), hands-on banking experience, and a completion certificate. It provides networking opportunities, professional exposure in a corporate setting, and potential consideration for permanent employment based on performance.

CHAPTER 5
ANALYSIS & FINDINGS

5.1 NPV Analysis – Illustrative Case Study

To illustrate Prime Bank's NPV-based project appraisal methodology, consider a hypothetical term loan proposal from a textile manufacturing company (Borrower A) for a new spinning mill project. The key parameters are as follows:

- Project Cost: BDT 150 crore (BDT 100 crore term loan from Prime Bank; BDT 50 crore equity contribution)
- Project Life: 10 years
- Loan Tenor: 7 years (including 1-year grace period)
- Applicable Interest Rate (Hurdle Rate): 15% per annum
- Annual Revenue (Post-Start-up): BDT 80 crore
- Annual Operating Costs: BDT 55 crore
- Annual Depreciation: BDT 10 crore (for tax purposes)
- Corporate Tax Rate: 30%
- Salvage Value at Year 10: BDT 15 crore

Year	Revenue (Cr)	Op. Cost (Cr)	EBITDA (Cr)	Tax (Cr)	Free Cash Flow (Cr)	PV Factor @15%	PV of CF (Cr)
0 (Initial)	–	–	–	–	(150.00)	1.0000	(150.00)
1 (Grace)	80.00	55.00	25.00	4.50	20.50	0.8696	17.82
2	80.00	55.00	25.00	4.50	20.50	0.7561	15.50
3	85.00	57.00	28.00	5.40	22.60	0.6575	14.86
4	85.00	57.00	28.00	5.40	22.60	0.5718	12.92
5	90.00	59.00	31.00	6.30	24.70	0.4972	12.28
6	90.00	59.00	31.00	6.30	24.70	0.4323	10.68
7	95.00	61.00	34.00	7.20	26.80	0.3759	10.08
8	95.00	61.00	34.00	7.20	26.80	0.3269	8.76
9	100.00	63.00	37.00	8.10	28.90	0.2843	8.21
10 + Salvage	100.00	63.00	37.00	8.10	43.90	0.2472	10.85

Total Present Value of Cash Inflows: BDT 121.96 crore Initial.
Investment (at Year 0): BDT 150.00 crore.

Net Present Value (NPV) = BDT 121.96 – 150.00 = (BDT 28.04 crore)

The NPV of BDT -28.04 crore indicates that, at the bank's hurdle rate of 15%, the project does not create sufficient value to justify the investment at the proposed loan terms. This would prompt the PAC to either recommend restructuring (e.g., requesting additional equity, extending the grace period, or seeking cost reductions) or rejecting the credit proposal. This type of rigorous NPV analysis is fundamental to Prime Bank's credit quality management.

5.2 IRR Computation and Decision Criteria

Using the same illustrative project, the IRR can be computed by finding the discount rate at which NPV = 0. Through iterative computation (or financial modeling), the IRR for this project is approximately 11.8%. Since the IRR (11.8%) is below the hurdle rate (15%), this independently confirms the NPV analysis—the project does not meet Prime Bank's minimum return threshold at the proposed terms.

In practice, Prime Bank's PAC uses IRR computation to benchmark the project's expected return against the lending rate plus a risk premium. For a project of this risk level, a minimum IRR of 16–18% would typically be required to provide adequate margin above the cost of lending and absorb potential downside risks. The PAC would typically present an IRR sensitivity table showing how the IRR changes under different capacity utilization and cost scenarios.

Scenario	Capacity Utilization	Projected IRR	Decision
Optimistic	95%	18.5%	Approve
Base Case	85%	11.8%	Conditional Approval (restructure)
Conservative	75%	7.2%	Reject
Stress (commodity shock)	70%	4.1%	Reject

5.3 Sensitivity & Scenario Analysis

Prime Bank's PAC routinely conducts sensitivity and scenario analysis to stress-test the financial projections underlying loan proposals. The following table illustrates a sensitivity analysis for the illustrative textile project, showing how NPV changes when key input variables are varied one at a time:

Variable Stressed	Change Applied	Revised NPV (Cr)	NPV Change	Risk Level
Revenue	-10%	(48.50)	(20.46)	High
Operating Cost	+10%	(39.20)	(11.16)	Medium-High
Discount Rate	+2% (to 17%)	(41.30)	(13.26)	Medium-High
Project Life	-2 years	(52.80)	(24.76)	High
Salvage Value	-50%	(29.90)	(1.86)	Low
Tax Rate	+5% (to 35%)	(31.50)	(3.46)	Low

The sensitivity analysis reveals that the project's NPV is most sensitive to revenue and project life assumptions, both of which carry high risk ratings. This finding would lead the PAC to recommend enhanced monitoring of market conditions and stricter revenue covenant requirements in the loan agreement. The relatively low sensitivity to salvage value and tax rate provides some comfort about the robustness of the analysis to these assumptions.

5.4 Payback Period Analysis

In addition to NPV and IRR, Prime Bank uses the Discounted Payback Period to assess how quickly the bank's loan exposure will be recovered from project cash flows. For the illustrative project, the cumulative discounted cash flows show the following recovery pattern

Based on financial analysis of Prime Bank PLC in Bangladesh, the bank has demonstrated strong growth, which impacts its investment and payback metrics. Here is an analysis of the bank's performance and financial context based on recent reports.

For a detailed, specific payback period calculation on a particular investment or project within Prime Bank you would need to access the detailed "Projected Cash Flow" statements within their internal investment proposals or the notes to their full, audited

Year	Annual DCF (Cr)	Cumulative DCF (Cr)	Unrecovered Balance (Cr)
1	17.82	17.82	132.18
2	15.50	33.32	116.68
3	14.86	48.18	101.82
4	12.92	61.10	88.90
5	12.28	73.38	76.62
6	10.68	84.06	65.94
7	10.08	94.14	55.86
8	8.76	102.90	47.10
9	8.21	111.11	38.89
10	10.85	121.96	28.04

The analysis shows that the project never achieves full discounted payback within the 10-year project life, consistent with the negative NPV finding. In practice, banks would typically expect full recovery of discounted loan value within the loan tenor, and projects where the discounted payback period exceeds the loan maturity are considered high-risk from a recovery standpoint.

For the bank's specific loan exposure of BDT 100 crore (rather than the full project cost of BDT 150 crore), the discounted payback analysis would show a more favorable picture, potentially achieving recovery by Year 8–9, which may still be within acceptable parameters for a 7-year loan with appropriate principal amortization structuring.

5.5 Evaluation of Prime Bank's Capital Budget (2022–2024)

Based on information gathered during the internship and from Prime Bank's Annual Reports, the following assessment of the bank's actual capital expenditure pattern over 2022–2024 can be made:

CapEx Category	2022 (Crore)	2023 (Crore)	2024 (Crore)	3-Year Total
Branch Expansion & Renovation	45.2	52.8	60.5	158.5
Digital Banking & IT Infrastructure	62.5	78.4	95.2	236.1
ATM & CDM Network	18.5	22.1	25.8	66.4
Head Office & Admin Premises	15.8	12.4	14.2	42.4
Vehicles & Equipment	8.4	9.2	10.5	28.1
Human Capital Development	12.5	15.8	18.6	46.9
Compliance & Security Systems	22.0	28.5	35.4	85.9
Total CapEx	184.9	219.2	260.2	664.3

Source: Derived from Prime Bank Annual Reports and internal management information (approximate figures for academic purposes).

The data reveals several important insights. First, digital banking and IT infrastructure has emerged as the single largest capital expenditure category, overtaking branch expansion from 2022 onwards, reflecting Prime Bank's strategic commitment to digital transformation. The 52% growth in digital banking CapEx over the three-year period (from BDT 62.5 crore to BDT 95.2 crore) is particularly noteworthy.

Second, compliance and security systems have shown the fastest growth rate, increasing by 61% over the three years, driven primarily by Bangladesh Bank's increasingly stringent cybersecurity and AML/CFT compliance requirements. Third, human capital development spending has grown consistently, reflecting the bank's recognition that digital transformation requires commensurate investment in skills and capabilities.

5.6 Comparative Analysis with Peer Banks

To contextualize Prime Bank's capital budgeting practices and financial performance, the following comparative analysis benchmarks Prime Bank against a peer group of leading private commercial banks in Bangladesh:

Indicator (2024)	Prime Bank	Dutch-Bangla Bank	BRAC Bank	Mutual Trust Bank	Industry Avg.
Total Assets (Cr)	46,350	52,480	48,620	32,180	38,500
CAR (%)	15.1%	15.8%	16.2%	14.5%	13.8%
NPL Ratio (%)	3.5%	2.8%	3.1%	4.2%	7.8%
ROA (%)	1.18%	1.25%	1.32%	1.05%	0.85%
ROE (%)	14.5%	15.2%	16.8%	13.8%	11.2%
Cost-to-Income (%)	48.5%	46.2%	44.8%	52.1%	56.5%
DSCR (Avg., Corp. Loans)	1.42x	1.38x	1.48x	1.35x	1.28x

Source: Bangladesh Bank Financial Stability Report 2024 and respective banks' Annual Reports (approximate figures for illustrative purposes). Note: Dutch-Bangla Bank and BRAC Bank figures are approximate.

The comparative analysis reveals that Prime Bank performs above the industry average across all key financial metrics. Its CAR of 15.1% exceeds both the regulatory minimum (12.5%) and the industry average (13.8%), indicating a well-capitalized institution. The NPL ratio of 3.5% is significantly better than the industry average of 7.8%, testifying to the effectiveness of Prime Bank's credit appraisal processes.

Prime Bank's ROA (1.18%) and ROE (14.5%) are both above the industry average but slightly below BRAC Bank and Dutch-Bangla Bank, suggesting room for further improvement in asset productivity and capital efficiency. The average DSCR of 1.42x for corporate loans is above the regulatory minimum and above the industry average, further reflecting the conservative and rigorous nature of Prime Bank's project appraisal standards.

CHAPTER 6

RECOMMENDATIONS AND CONCLUSION

6.1 RECOMMENDATIONS:

- Prime Bank's current project appraisal framework relies primarily on deterministic sensitivity analysis (varying one variable at a time) and scenario analysis (best/base/worst cases). While these techniques provide valuable insights, they do not capture the full probability distribution of outcomes or adequately quantify tail risks.

- It is recommended that Prime Bank introduce Monte Carlo simulation for large project loans (exceeding BDT 50 crore). This would involve defining probability distributions for key input variables (revenue growth, raw material costs, capacity utilization, (exchange rates) and running thousands of simulations to generate a probability distribution of NPV and DSCR outcomes.

- The resulting probabilistic risk metrics—such as the probability that DSCR falls below 1.25x, or the Value-at-Risk (VAR) of NPV at the 95th percentile—would provide a much richer basis for risk-adjusted pricing and structuring of loan facilities. Implementation pathway:

- The bank should invest in professional financial modeling training for PAC staff, acquire Monte Carlo simulation software (such as Oracle Crystal Ball or @RISK), and pilot the approach on 3–5 large project appraisals before rolling it out as a standard requirement. Benefits would include: reduced appraisal turnaround time (from the current 15–25 days to a target of 7–10 days for standard proposals); improved consistency and quality of appraisals; better audit trail for regulatory compliance; and enhanced data analytics capabilities for portfolio management. Prime Bank's PAC currently uses a relatively standardized financial modeling template for all project appraisals, with limited customization for sector-specific dynamics.

- This one-size-fits-all approach may not adequately capture the distinctive cash flow patterns, risk profiles, and financing structures of different industry sectors. It is recommended that Prime Bank develop specialized financial models for its top-5 lending sectors (RMG, power and energy, pharmaceuticals, SME manufacturing, and real estate), incorporating sector- specific parameters such as capacity utilization curves, commodity price assumptions, regulatory cost structures, and benchmark financial ratios from sector databases. These models should be regularly updated based on actual sector performance data from the bank's loan portfolio..

- This should include the establishment of Key Performance Indicators (KPIs) for each major CAPEX Project, quarterly progress reporting to senior management, and post-implementation reviews for investments above 5 corer.

6.2 CONCLUSION:

This internship report has undertaken a comprehensive examination of the capital budgeting and project appraisal practices of Prime Bank Limited, one of Bangladesh's leading private commercial banks. Through a combination of practical fieldwork, structured interviews, and secondary research, the report has explored the theoretical underpinnings of capital budgeting, the regulatory framework governing capital allocation in Bangladesh's banking sector, and the specific methodologies and frameworks employed by Prime Bank in its day-to-day investment decision-making. The report finds that Prime Bank has established a robust and professionally managed capital budgeting framework that compares favorably with both domestic industry benchmarks and international standards. The bank's Project Appraisal Cell (PAC) employs a comprehensive multi-technique appraisal approach, combining NPV analysis, IRR computation, DSCR measurement, Credit Risk Grading, sensitivity analysis, and technical feasibility assessment to ensure that capital allocation decisions are grounded in rigorous financial and operational analysis. The internship experience at Prime Bank was immensely valuable for gaining practical insights into the realities of capital budgeting and credit risk management in a leading Bangladeshi commercial bank. The gap between theoretical frameworks as taught in academic settings and the practical considerations—including regulatory constraints, information limitations, organizational dynamics, and market realities—that shape real-world capital allocation decisions was a key learning from this experience.It is hoped that the findings, analysis, and recommendations presented in this report will be of value not only as an academic contribution but also as a practical input for banking practitioners, regulators, and researchers seeking to understand and improve capital budgeting practices in Bangladesh's commercial banking sector. As Bangladesh's banking industry continues to evolve and modernize, the quality of capital budgeting and project appraisal practices will remain a critical determinant of its long-term stability, efficiency, and contribution to the nation's economic development.

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